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## Young incurs wrath

by Rae Mazengarb

LANDS Minister Venn Young has incurred the wrath of three national environmental groups — and may receive a rap over the knuckles from a Supreme Court judge.

Young has attempted to adjudicate on whether land in Nelson's Maitai Valley is a reserve.

By a notice in the New Zealand Gazette dated June 15, this year, the Minister declared that the land was not a "reserve".

Under section 5 of the Reserves Act, the Minister has the power to make such a declaration when there is doubt about the classification of land.

But legal proceedings had begun in May this year seeking a ruling on that very question.

It's understood the lawyer representing the various environmental groups wrote to the Minister on behalf of his clients in mid-July, asking him to revoke the declaration rather than interfere with legal proceedings.

The Minister last week declined to do so.

The legal action concerns 700 hectares of land in the Maitai Valley near Nelson called Wehi Taakero ("places of recreation").

The Nelson City Council — defendants in the court action — bought the land in 1971 in the belief that it "would provide the citizens of Nelson, now and in the future, with an unrivalled pleasure and recreation ground".

The council, in its resolution to acquire the land, listed specific intended uses for the area, but reserved the right to use it for other unspecified purposes.

Some 40 hectares of land for recreation;  
• a three kilometre stretch along the Maitai River for swimming, picnicking and fishing;  
• the hilly hill areas for tramp, lookouts and as a backdrop to the city;

• extension of the existing camping area;  
• to facilitate servicing and access in the Maitai water supply pipeline.

The council admits it bought the land for those purposes, but says it bought the land also

for other purposes as permitted by the Municipal Corporations Act 1964.

The purchase was financed from the council's \$10,000 water account, the subdivision reserve account (\$35,000), and the capital improvement account (\$40,000).

When title was transferred in September 1971, the council was described as owning the land as a pleasure ground within the provisions of the Municipal Corporations Act.

But after the purchase, the council decided to plant the area in commercial forest.

Local residents formed themselves into an amorphous group called Friends of the Maitai Inc to protest against this development.

The friends maintained the land should be developed in accordance with a report by a landscape architect commissioned by the council earlier.

The council rejected these representations and adopted a report from forestry consultants which highlighted commercial forestry as a strong possibility for the area.

For three years the venture was on-again-off-again.

In June 1977, the council started burning off the land, slowing the extent of the forestry proposals for the first time.

But the council then found it had no power under the Municipal Corporations Act to burn off the land in such commercial proposals.

In 1978, Parliament passed a local bill, the Nelson City Forestry Empowering Act, which gave the council the power to acquire land and engage in forestry and related industry.

The Act was subject to the provisions of several other Acts, including the Town and Country Planning Act 1977 and the Reserves Act 1977.

The council was acting not directly contrary to any planning of the area, but contrary to the provisions of the Reserves Act if the land was a "reserve".

The litigation initiated this year, concerns just this question.

If it is declared a "reserve", the land will have to be reclassified.

This process allows for objections. A management plan will be required also, and again the public will have the right to object.

The council insists the land is not a reserve — with the exception of certain flat areas, including an area of golf course.

Friends of the Maitai, the Royal Forest and Bird Society Inc, Native Forest Action Council and Environment Defence Society Inc initiated the proceedings. They served the documents on the council in May.

The council filed its statement of defence in June.

A month later Venn Young declared the land was not a "reserve".

Just who advised him is a matter for speculation.

The lawyer representing the environmental groups is understood to have given the Minister all the information relevant to the case in his request for a revocation of the declaration.

Last week the Minister replied that he had known nothing of the court proceedings. But the Nelson City Council had requested a declaratory statement by the Minister that the land was not a "reserve" and that it be gazetted, he said.

## Mediator drags workers' house rent dispute toward a settlement

by Cathy Strong

IT HAS been four years coming — but it appears that a settlement is near for the electricity workers' dispute over house rents.

And both sides — the Public Service Association and the State Services Commission — say that the Government's Industrial mediator Walter Grills had a lot to do with it.

When he came on to the scene last month no one expected the parties to reach total agreement on anything.

But the PSA and SSC came to terms on a scheme, and this week they are asking for final approval from the Government's Cabinet Committee for State Services and from the rank-and-file electricity workers.

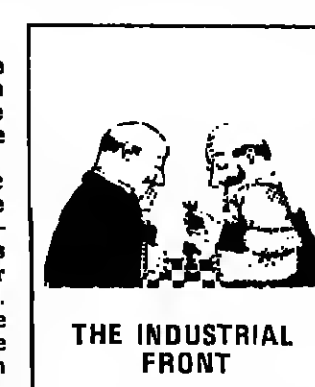
The dispute really isn't about house rents per se. It is about the electricity workers' desire to find some way to develop capital equity during their careers, as most middle-class New Zealanders are able to do when buying a family house.

But this is difficult to do when they are required to live in departmental houses. The rent is cheap, but often they are so far out in the wopwops that there would be no resale market for the houses.

While the negotiations dragged on, the Government wanted a fair return on the loan houses and would increase the rents in line with increases in the capital valuation.

That is what sparked off the fight each year.

In 1975 the house rents were due to go up, and after some



agitation by the workers the then-Minister of State Services, Arthur Faulkner, deferred the increases until after they settled on equity purchase scheme.

The next year a National Government took power and the new Minister, Peter Gordon, put up the rents despite "promises from a previous government".

Strikes followed.

The dispute went to a special commission of inquiry which made the Government return \$50,000 of the rent increases. It also sent the parties back to negotiate the equity scheme.

(Commission) chairman Nigel Taylor openly criticised the Government's broken promise. A year later he was replaced as chairman of the State Services Tribunal which resulted in a flurry of negotiations that the Government didn't like some of his decisions.)

Despite the inquiry, the circular fight continued. Every time the Government wanted to increase rents, the union wanted the rents

formula and equity scheme settled first.

This year the strike threat was met by the Prime Minister's deregulation threat. The PSA agreed to go to mediation, but Muldoon wanted the mediator's decision binding.

The PSA said it would go to mediation, not arbitration, and that it would decide later if it wanted to give the mediator the all-inclusive powers of an arbitrator.

The mediation started out the same old way — the PSA demanding the latest rent increases stopped and the SSC demanding the rents unaltered.

Grills gave a one-month suspension to the rent increases. At the end of the month he would assess the progress of the talks to see if the increases should be paid or be put in moratorium for a further month or so.

Almost like a teacher bribing a slow reader with lollies.

Whatever Grills' strategy, that month is up on August 16, and it appears that at long last the workers will be getting some sort of house buying scheme to help them with capital security in retirement.

The details haven't leaked out yet, but it is a complex scheme that will allow a worker to nominally buy the house he lives in. At the end of that term he can resell it to the Electricity Department at the current rate (whether that is above or below the original rate).

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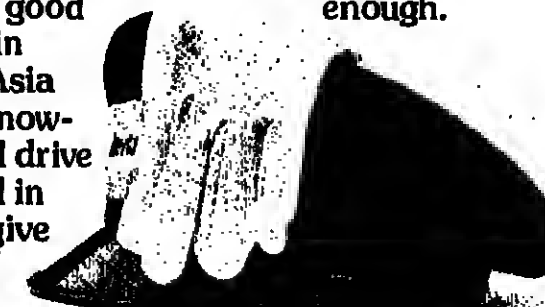
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## Templeton swaps realism for Muldoon wizardry

Economies  
Correspondent

DR Muldoon has run out of miracle cures. Even his resort to multi-media broadcasts cannot restore the patient's confidence in his treatment. But before his pettants have time to consider a new regime, Muldoon's trusty deputy Hugh Templeton is quietly taking over the practice.

No longer is the patient expected to swallow cheerful diagnoses that there is health and prosperity just around the corner or a light at the end of the tunnel. Templeton's method of bringing the patient back to health is to face him with the ghastly realities of his illness.

In his recent speech to the Wellington Chamber of Commerce, Templeton forecast a grim future for the country. New Zealand may have to face the deepest recession it has seen for 35 years.

The Deputy Finance Minister explained that a wave of inflation is eating into the recovery prospects of Western nations. These notions have run out of the possibilities for increased productivity through technical change which helped them to maintain expansion in the past in spite of rising costs.

Because of this, the world is poised to enter the longest and possibly deepest recession since World War II.

If the recession comes, the impact of the world economy would have an immediate result in New Zealand and would lower growth rates straight away.

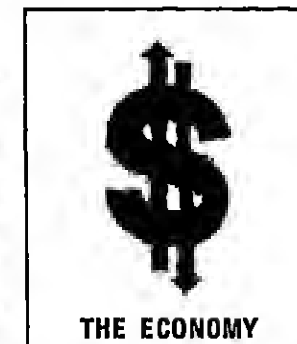
Templeton said that "in such situations commodity producers such as New Zealand have to accept lower returns while their imports continue to rise... oil costs go up and transportation costs also rise".

As a result, Templeton suggests that our balance of payments deficit could deteriorate by a minimum of \$200 million in the next year and will probably be much more.

A close look at Templeton's speech shows that he practices the same sort of medicine as his leader. Templeton does not enunciate Government policy any differently. The old question marks about where the Government's policy commitments lie remain.

Like his mentor, Templeton is all style and no content. His more realistic assessment of economic activity has not led him to suggest constructive long-term policies.

His excuse for not doing so is that "policies for radical restructuring... would have



the risk of overheating the economy and accelerating inflation".

Certainly inflation is a worry. The New Zealand Chamber of Commerce survey of business found a continued deterioration in the health of private enterprise and cited inflation as the number one villain.

But with inflation of the June quarter at 4.5 per cent and the annual rate of growth in prices on an upward trend, it appears inflation is accelerating despite the Government's wish to keep it down.



HUGH TEMPLETON... as some sort of medicine.

Another 15 per cent increase in wages and salaries before the end of the year could bring the inflation rate up over its previous peak of nearly 18 per cent.

To use high rates of inflation as an excuse for not taking the hard decisions about the economy now seems to be throwing the baby out with the bathwater.

Templeton deserves a pat on the back for his willingness to be candid with the public, but his realistic attitude could have a depressing effect on the economy.

To a certain extent, economic behaviour is guided by expectations. When there is a feeling of optimism in the air, firms have traditionally risked new investment.

Because of pessimistic economic forecasts, it has been some time since there has been much inclination for new investment.

Despite a short period of economic buoyancy earlier this year, business confidence

is still low. And according to the New Zealand Institute of Economic Research, businessmen are clearly pessimistic about the future.

Almost half of the respondents to the June quarter Survey of Business Opinion expect general business conditions to deteriorate during the next six months.

The economic climate created by the Budget was supposed to make everything all right. Now, according to Templeton, "essentially what New Zealand needs is an acceleration in investment and productivity in the export sector..."

He thinks this will offset any of the other difficulties the economy is likely to experience.

Budget measures will help exporters through export incentives and a freer exchange rate system which should minimise the higher costs of imported raw materials. Manufacturers have certainly shown general satisfaction with the policies aimed at exporting and this may result in some new investment.

But if the domestic situation deteriorates, exporting may not seem like such a good idea. Exporters will find it difficult to compete overseas if there is a massive jump in internal costs.

Of course, as Templeton cries, "the Government has made clear again and again the need for restraint in this wage round".

Templeton correctly argues that if we do not control wage-push inflation we will kill the investment we need to create more jobs and more wealth. Restraint in the wage round means finding ways of keeping the growth in wages down.

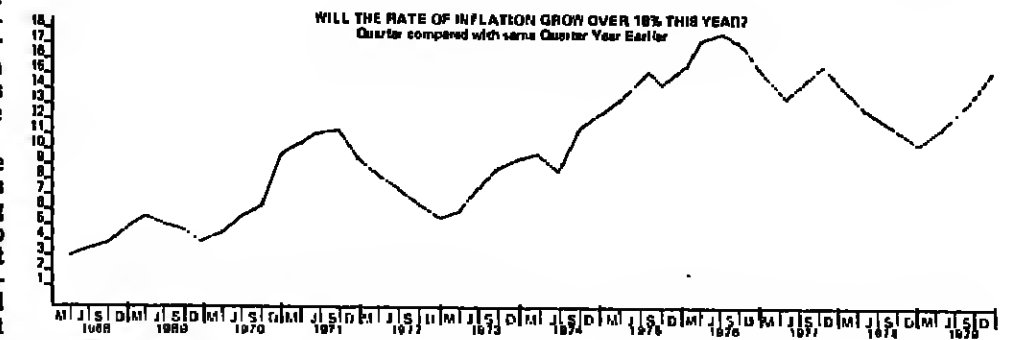
The Government seems to think this can be brought about by direct controls.

Muldoon has not yet gone as far as reimposing wage controls by legislation, but he has gone within a hair's breadth of doing so. And he has made it clear that he will resort to regulation if wage increases in the "free bargaining" wage round go beyond 10 per cent.

Even with Government direct action to control wages, they are likely to increase by at least 15 per cent next year. This sort of action may have the appearance of doing something about wage costs, but the results of this action should speak for themselves.

An addition of 15 per cent on costs is not going to make life easy for exporters or for any business firm for that matter.

New Zealanders traditionally have looked to their political leaders for



guidance in economic affairs. But more and more it seems that our leaders are not capable of stepping outside politics for long enough to get an effective long-term view of the economy and to take the sometimes unpopular decisions necessary to restore economic progress.

National Party president George Chapman blames the 12-year consensus reign of former National Prime Minister Sir Keith Holyoake for many of New Zealand's present problems.

It is difficult to disassociate the present Prime Minister from this blame since he was Minister of Finance during the latter period of Holyoake's Government.

And an analysis of economic trends shows that after Muldoon became Minister of Finance, the economy went from 10 years of sustained prosperity to high inflation.

high unemployment and high levels of Government spending.

While the "she'll be right" attitude of the 1960s made the economy particularly vulnerable to the economic reverberations brought about by the fluctuating international economic conditions in the 1970s, the politically expedient economic policy of the 1970s has not helped conditions either.

Perhaps the National Government could dwell less on politics up to the 1981 election.

They may be beating a dead horse, anyway. An overall two-party swing of only 0.9 per cent will push the National Party out of office in the next general election, according to analysis released by Canterbury University political scientists Alan McRobb and Nigel Roberts. And a 1 per cent

swing to National would result in the capture of only one seat.

With those future political prospects, the National Party is in a good position to treat the 1981 election as beyond its control and concentrate its energies on bringing about the economic miracle they promised instead.

At no time since it took office in 1975 has this Government shown the initiative to practise what it has preached about the economy.

Templeton's realism presents a refreshing change from Dr Muldoon's wizardry for those on the lunch-time economic address circuit. But showing an appreciation for the economic problems facing the country does not compensate for the tentativeness and timidity of the Government's longer term economic policy.



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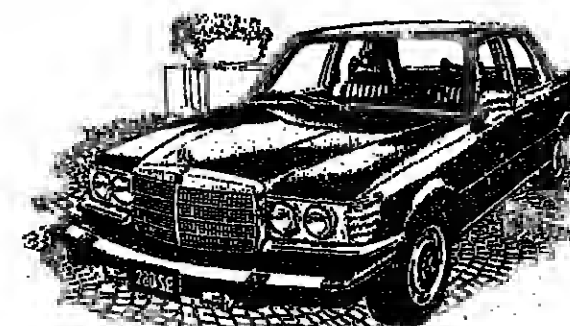
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# NBR BUSINESS WEEK

## PM recycles second-hand investment criteria

by Peter V O'Brien

THE Government's "new" criteria for assessing overseas investment applications are 18 years old.

When Finance Minister Rob Muldoon announced the changed policy on overseas investment the other day he or his advisers made no reference to the report Criteria for Industrial Development which the Tariff and Development Board sent to the then Industries and Commerce Minister, Jack Marshall, in June, 1963.

That report referred particularly to local industrial investment. But the board included a section on overseas investment.

In a letter to the board (included in the report),

Marshall said: "The Government . . . agrees that, in determining the nature and character of industries that should be encouraged in New Zealand, regard should be paid to all the criteria enumerated in the report . . . The broad objective of the Government is to stimulate industrial development in such a way that the greatest productivity and the most economic use of our resources of labour, capital, and material are achieved. In applying the criteria to the establishment and protection of units of industry these goals must be kept in mind".

Muldoon listed the new criteria last week. One was "new export markets or better market access".

In 1963 the board recommended "the contribution the industry makes to developing export markets or otherwise earning overseas exchange". Muldoon added "the extent to which the proposal was likely to make a net positive contribution to the balance of payments".

The board covered that with "the extent to which the industry can, by import substitution, save the expenditure of overseas funds, both immediately and in the long term".

Muldoon is concerned about "the creation of new job opportunities" and "the introduction of new technology, managerial or technical skills".

The board recommended

"the extent to which the industry provides employment opportunities and the best use of labour and management resources, and offers scope for the development of industrial skills".

In 1979 we are looking for "added competition for local industry, lower prices and greater efficiency".

In 1963 the Tariff and Development Board desired "the extent to which the industry is competitive as to price, quality, design, and range with imports, and is capable of meeting quantitatively the needs of the market".

Muldoon's criteria include the catchall "the promotion of New Zealand's economic growth".

The board had several recommendations to cover that point:

● The extent to which the industry aids the further development of natural resources;

● The extent to which the industry will form a basis for the development of associated industries;

● The extent to which an industry is of the optimum size, having regard to the size of both the domestic and export markets;

● The extent to which the industry makes the greatest economic utilisation of capital equipment;

● The extent to which the industry makes a contribution to the national security in that it has strategic importance or is able to provide goods essential for the people and the maintenance of the economy in the event of serious adverse external circumstances arising.

The board also made recommendations on direct overseas investment:

● The extent to which the industry requires the participation of overseas capital either as equity capital or by way of loans (the board said an inflow of overseas capital was desirable where it is accompanied by technical knowledge, use of patents, and introduction of new skills, or where New Zealand capital is not readily available. It also wanted consideration given to the participation of New Zealanders in equity capital).

● The extent to which the industry has access to overseas research, design, techniques, and industrial skills, and their usefulness in making a contribution to New Zealand industrial development.

Muldoon and the board agreed on another particular criterion. The former wants to see the potential impact on the environment (not so important in 1963 and on regional development).

The board recommended as a criterion "the extent to which the industry makes a contribution to regional development".

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### Glow slips from TV

If present trends continue, television's place in the advertising arena could well be threatened according to the president of the Association of New Zealand Advertisers, Colin Mortenson. He lists rising advertising costs, lack of forward planning and, currently, a rough deal to regional advertisers as factors which threaten the popularity and, indeed, the economics of television as an advertising medium.

"Since 1975, the rate of increase in advertising costs has exceeded that of inflation," Mortenson told Admark.

"The real cost of reaching the same audience through two channels instead of one has more than doubled."

"This escalation has taken place during a period when the domestic economy has been



COLIN MORTENSON ... No more dollars

depressed, when the population has declined and when industry has been under a price control system which eroded profit margins.

"To parallel rising advertising costs we would need increases in sales volumes which are just not possible under these market conditions. In real terms, budgets for advertising have been stationary over the last five years."

Mortenson described as unrealistic the statements of politicians that further advertising could bridge the gap in BCNZ's television budget.

"Simply put," he said, "there are no more dollars for advertising. Television has to be careful that it does not price itself out of the market."

"Advertising is funding about 75 per cent of the running costs — as apart from the developmental costs — of television. We don't think that is a particularly healthy position, especially when you consider the dependence on relatively few large television advertisers to contribute a

very high proportion of the total television advertising expenditure.

The restructuring of television is cause for concern with advertisers.

ANZA has expressed its fear to the BCNZ that when time is centrally sold, all sorts of controlled selling conditions or qualifications may emerge or be imposed. So far it has not received the reassurances it desires.

"We need a lot more information and we need it now," said Mortenson.

"Advertisers are marketers and even now in a little while to be finalising marketing plans for 1980. We need the specifics of the new deal. Advertising hours of advertising. Programme information. In particular, how are rates to be structured in terms of time zones or package deals or whatever."

"We have no lead time left for next year's marketing plans. Some advertisers may have to think in terms of other media."

Mortenson sees the concentration of regional and retail advertising on TV2 as unfair treatment.

Outside of Auckland, these advertisers are reaching only a minority audience. When audience shares equate, the objection will be removed but the arbitrary action has disadvantaged the regional advertisers in the meantime at least.

ANZA is looking forward to working with other advertising organisations and with media to establish a uniform and practical code of ethics operated through a central representative body.

"New Zealand has set high standards of advertising behaviour and we want to see it kept that way through self discipline. At present we have too many independent standards and too many differing decision makers. We have to ensure an efficient system of self regulation or suffer the unpleasant alternative of regulation imposed from outside," said ANZA's president.

On the other side of the coin, Mortenson says the concentration of regional and retail advertising on TV2 as unfair treatment.

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the pick of the New Zealand Press Association's sports journalists.

Most interesting of all is the print run.

The O'Brien model Sports Digest — it started life as All-Sports Monthly in 1949, and until the INL takeover was an AD Organ publication — was selling as few as 7000 in some summer months, and making five figures without a lot to spare in the winter season, when sports interest hits its peak.

But INL ran off 35,000 of the first issue of the fortnightly.

A scheme for a large-scale promotional giveaway was not proceeded with and they had to try to sell them all. Early returns indicate that 25,000 were sold.

Advertising for the first new style issue topped 20 per cent and so rather exceeded target. The other side of that story, though, is that at the time number one appeared in the

Sports Digest

"I'M BROWNED OFF," Soccer says ERIC WATSON sick on top

stations, there was very little secured ad-wise for number two. But advertisers returned for number three.

Sports Digest has some colour on eight of its 16 pages. Deadline, which used to be the middle of the month before publication, is now four days before it appears. Of the previous contents, only O'Brien's "Sportsview" column and the useful "Sporting Calendar" survive.

The first front-page lead had one of those headlines that rebound all the further because they are catchy. The day before the second rugby test, over Keith Quinn's byline: "France no chance".

THE INL empire revamps digest

THE INL publishing empire has become enthusiastically involved in its endeavour to rejuvenate Sports Digest.

The 30-year-old monthly has become a bigger-format fortnightly and newsprint has given way to art paper.

Long serving editor Brian O'Brien has stepped aside for two part-timers, Bob Fox from the Evening Post (also INL) and Paul Cavanagh, probably

homs in the United States.

He claims that the rest of the world trails behind the United States in marketing techniques but by his yardstick even in the United States there are only a couple of dozen master marketers.

"Most of the world's companies have to move from a production mentality to a marketing mentality. Marketing is growing up very rapidly in the face of declining markets but most companies have evolved painfully from a heavy production orientation which has led some to over capacity."

"They have been disposing of what they make rather than making what they can sell."

In his text book Marketing Management: Analysis Planning and Control Kotler contrasts the product concept and the market concept.

"The product concept is a management orientation that assumes consumers will respond favourably to good products that are reasonably priced and that little company marketing effort is required to achieve satisfactory sales and profits."

The relatively new marketing concept he says "is a management orientation that holds that the key task of the organisation is to determine the needs, wants, and values of a target market and to adapt the organisation to delivering the desired satisfactions more effectively and efficiently than its competitors."

The few companies that understand marketing have reorganised themselves to reflect marketing importance.

They have created a new brand of marketing executive, they have invested more in research, he says.

"They are launching products after very thorough market research and building in their own advertising intelligence to demand more hard facts from their advertising agencies."

These are the companies who know what they are getting from their marketing dollar, says Kotler.

From what he calls his "POISE" system Kotler has developed a kit for evaluating marketing performance. And, says Kotler, many companies find they do not measure up once they apply his yardsticks.

The ingredients that make up his famous "POISE" system are: P for philosophy of meeting customer needs; O for marketing organisation; I for information; S for Strategy; E for efficiency.

The days are gone, he says, when the giant can expect to continue flourishing automatically in the face of competitive marketing sophistication.

"It is no longer a safe assumption that the large successful companies can do all things equally well. The smart ones are realising this, taking money from losing products and narrowing their lines. They are centring their markets much more precisely and doing more of what they do well."

He contends that market centring is a very important ingredient in his "make what you can sell" theory.

"Even within the United States market dynamics vary considerably from city to city."

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## Broker spells out Motopak

WE wish to make comment on the article that appeared in the July 4 issue of your newspaper under the Insurance Section as written by Mr John Sloan.

We are deeply concerned with some of the interpretations your writer has put on our product and strongly suggest corrections should be made.

We list the details as follows:

- (1) You are correct in stating Motopak is aimed at a defined section of the motoring public and to qualify the driver must be over the age of 30 years, use a vehicle for private use your writer appears to be ill informed in this regard as Motopak Executive is the business vehicle policy and has been on the New Zealand market since May of this year which is less than 8 years old at entry. With regard to age we mean all cars that are registered as new vehicles in New Zealand since the 1st January, 1971. Providing that they are no older than this entry they may stay in the Motopak Scheme whilst they are owned by the same owner.

- (2) We are aware of the comments that the then general manager of the State Insurance Office, Mr Neville Alnsworth, stated, however we

disagree with some of his statistical information. Most claims by far occur with vehicles driven by under-30 year old drivers. We certainly agree of course that claims do occur with drivers over the age of 30 and in this area will remind you that they must be claims and accident free for three years at entry otherwise they do not qualify for Motopak.

This gives us a limited market and this is why Motopak Auto Insurance was specifically designed to cater for the market. It is not intended in any way and under no circumstances to cover the entire motor vehicle insurance market available in New Zealand but it is intended to provide a more competitive premium structure with policy conditions than would normally be available to such a selected market.

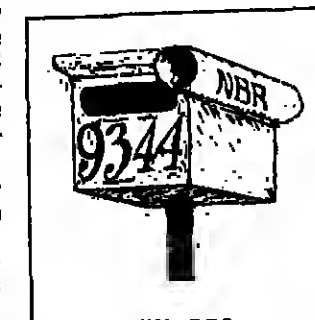
- (3) We take note of your comments that the cover offered is limited by a number of restrictive conditions and for your writer to state, and we quote, "for instance it is warranted by the insured that the insured vehicle and all drivers thereof have not been involved in any motor vehicle accident" unquote. It is indeed a pity that Mr Sloan did not finish off the warranty which is warranty (b) in the policy and in full it states "the insured driver and all drivers thereof

have not been involved in any motor accident during the IMMEDIATE THREE YEARS prior to commencement of this insurance at date of proposal hereunder".

I believe that your correspondent has misled his readers in this regard. It certainly cannot be interpreted to mean no accidents at all.

The next warranty that Mr Sloan has questioned is warranty (c) which states in full "the vehicle is at commencement of the policy free of dents, damage or broken glass". We completely disagree with your writer's statement that, and we quote "one interpretation of this provision is that the clause applies to a second-hand vehicle bought by a person who is unaware that the vehicle had been involved in a previous accident or buying a vehicle which already had dents and dings from previous minor scrapes".

If the purchaser of a used vehicle saw that it had a broken windscreen or dented mudguards etc he would probably not accept the vehicle until such time as the repairs made by the vendor are completed. When the car is put into a roadworthy condition and is free of bumps, scratches and broken windscreen glass, etc, full cover



LETTERS

would apply and warranties should not be breached in any way.

At the same time it would be incredible to believe that if a vehicle was showing visible signs of damage that any owner would expect the insurance company to pay for damage that occurred before the policy came into effect.

The next paragraph in your article went on to say that under Motopak, this warranty would entitle the insurer to decline any claim under the policy. This is completely incorrect and is not the case.

- (4) The question that Mr Sloan raises with regard to the no excess insurance has been interpreted the wrong way. Policy conditions have already been stated as above and provided the driver is in this category, which is the category for which the policy is designed, the policy has no excess whatsoever.

However, if the insured wishes to lend his vehicle to a person who is outside the policy warranties, therefore if a driver under the age of 30 has an accident and a claim is submitted the policy makes provision for the company to impose an excess of \$500. (Normally under age excess for drivers under the age of 25 with most insurance companies is now \$200).

We are completely open about the fact that the policy does not cater for people who do not qualify for the warranties.

- (5) Your writer then goes on to comment that the Motopak policy is also limited to social, domestic and pleasure purposes and his definition, in our view, has been stated that this excludes use of the car to go to and from work or other business or occupational functions and we do stress that this is definitely incorrect. Our definition of private type vehicles is "private means that depreciation and/or running expenses have not been claimed for any tax purposes except for farmers' saloon type vehicles". Again Mr Sloan is misinformed of the fact that Motopak Executive is the business type policy and the definition of the business vehicle and owners thereof is as follows:

"Motopak Executive is only available for motor cars and station wagons of self-employed, sole proprietor, partners and shareholders actively engaged in private companies". Age of vehicle, age of driver and claims and accident for three years is the same criteria as in Motopak.

(6) It is interesting to note that NBR telephoned a local agent in Motopak Auto Insurance in Wellington but did not bother to contact or discuss his queries with the principal who designed the product, which is our company, or let that matter the underwriters, QBE Insurance Limited, and we would like to answer the questions as reported in your newspaper with the correct answers.

The question was "what happens when there is a claim — will the premium go up?" Answer "you will understand that Motopak does not have no claims bonus like the conventional type policy does. Under the conventional no claims bonus system that person has a claim and the premium is increased anywhere from 40 to 100 per cent and in some cases impose an increased excess to the policy".

If the person has had a claim while he is insured with Motopak Auto Insurance he could not truthfully sign the warranty the year after when the policy is expired and has to be renewed. The only people that will be in the Motopak Auto Insurance scheme, whether it be for Motopak or Motopak Executive, are people who are completely claims and accident free for at least three years on entry and also on renewal. Such persons who have had an accident during the year will not be penalised any more than with a normal motor vehicle policy. In fact our renewal terms will still give them greater cover at a more competitive premium than is available from a normal motor vehicle policy.

The conditions in this policy will be identical to the standard Motopak policy except

there will be a possible increase in premium for a current claims experience. We have had to date no increase and will still be competitive than the conventional no claims arrangements.

The Wellington agent, fact Motopak is throughout the country is no right under any circumstances to make a statement that, and we quote "we would not really know them". We are a private company that is a sure person who has to the qualification criteria entry into Motopak only have a claim and this is renewal we are going to them extremely lenient terms under a category 2 type policy when they have been in an accident for 3 years again they automatically be put into Motopak.

(7) We do not agree any circumstances your writer's comment to have "amplified a warranty". The structure of Motopak will be researched and information is now: with proof that we was correct and aware of the situation is justified.

At no time do we criticise from or petitioners as "sour grapes" anyone who does as is, in our opinion, not and have their heads in the sand.

We note the comments the State Insurance claims that the scheme underpins concept of insurance believe that we have and social obligations that the careful accident free driver severely penalised subsidising the business more than he agrees that the wider of insurance is to spread risk which is that some people do gamble and not have we have put these people into a group and given rewards which we might add that we supported us strongly.

To finalise, etc, etc. That we welcome any criticism about the design of Motopak Insurance but we do have strong exceptions to believe to be untrue of factual reporting by your writer. We notice you do not mention any of the advantages of Motopak normally is included above cover — a \$100.00 and the automatic cover if the owner should have a vehicle. Motopak Insurance is perfectly anticipated — gaining, the market of the selected risk and is envied.

Northern Insurance Brokers Limited JOHN Sloan, who is literally interpreting Motopak's policy and says that the interpretation is a letter to the editor first time.

Pre-retirement planning can ease the transition and a few companies are working actively in this area.

The old NAC kicked off back in 1970 with a scheme to prepare employees for early retirement. It has been reinstated recently for the merged company.

Because of the large numbers of workers involved, the domestic airline initially limited the scheme to those who had served 15 years with the corporation. But it is hoped eventually it will cover all retiring employees.

The practice involves counselling the employee

# Employers face greying workforce phenomenon

by Rae Mazeugarb

BY THE year 2000, some 700 million of the world's workforce will be aged over 45 — an increase of 75 per cent from the 400 million or so recorded in 1950.

Dubbed the "greying" workforce, the phenomenon is one that most New Zealand employers have yet to come to grips with.

The older workers do not raise problems so long as they are working. The trouble starts if and when they lose their jobs.

The workers then are swept suddenly from full-time employment to the longest holiday of their life.

Superannuation and pension schemes may ensure retired employees don't take a drop in standards of living. But few employees look beyond economies to the other essential features of an enjoyable retirement, such as good health and a fully occupied life.

Subsequently they find the transition a traumatic experience.

The question of how far employers should go to ensure that employees have a happy and profitable time in retirement is one that is starting to occupy New Zealand employers right now. But few have gone further than identifying the problem.

Pre-retirement planning can ease the transition and a few companies are working actively in this area.

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Because of the large numbers of workers involved, the domestic airline initially limited the scheme to those who had served 15 years with the corporation. But it is hoped eventually it will cover all retiring employees.

The practice involves counselling the employee

through two-day seminars, just before retirement.

Subjects covered might include financial considerations, health, leisure and relaxation.

Just one seminar has been held this year, but according to Bill Yates, who helped get the programme off the ground, another eight or so seminars are planned before Christmas.

The idea attracted great interest among other employers. Some companies sought advice on how to go about adopting similar practices.

But aside from half-hearted attempts to introduce such a service, few companies appear to have thrown themselves actively behind the concept.

As part of its employee benefit consultancy service, the Auckland-based brokers Sedgwick Forbes Group, employed a retirement counsellor in anticipation that small companies would pay for the service on an hourly basis.

But group secretary, Mike Swanton said the idea quietly died because of difficulty in "selling" the scheme.

Sedgwick advertised widely and made the service known, but there was a disappointing reaction from employers.

It was intended the service would be one of true counselling, on a one-to-one basis, or in small groups of five, employees would talk out their problems with the counsellor.

Essential to the success of counselling — aside from the finance the company provides — is motivation. But the people receiving the counselling were suspicious, Swanton said, and it was difficult to get through to them.

They were reticent about talking over their problems. Tough economic times could have been behind the low response from the employers.

Employers' use of a third party to handle the pre-retirement counselling is a good idea as far as it goes.

Outside seminars do help cushion the experience for

employees; but this type of programme is not likely to provide a complete answer for their needs.

The employee is likely to think of questions after the course is over; in-house courses provide a follow-up service.

Don Flemming, now branch manager of UEB in Wellington, retired from the airforce at age 44. He was faced with the gymnastics of reviewing his life then and knows that the older person finds it more difficult to cope with the experience.

UEB has in the past sent husband-and-wife couples along to outside planning-for-retirement seminars, but Flemming saw this type of programme as inadequate in terms of on-going programme.

He had followed the NAC scheme with interest and put a proposal to management for an in-house scheme for UEB.

A pilot scheme for the Wellington region was initiated. Staff were surveyed

for age groupings and a tentative programme was set up. The most elderly employees and their wives or husbands took part in the first phase.

Running seminar lines, the programme ranged from health matters to a complete summary of financial entitlements.

"We steered well away from trying to give financial advice," emphasised Flemming. Rather, employees were briefed on who to go to for that kind of service.

This year the company will be dropping its sights to the 50-60 age group but the course will change appropriately; later the 45-50 age group will be included in the programme — those who should be starting to plan for a secure future.

The present course was limited to the Wellington area but it's likely UEB as a whole will formulate a total scheme for the entire company in the near future.

Flemming believes there is a growing awareness that

companies are going to have to move into this area of manpower planning but says the skill comes in not over-doing it. He accuses some companies of taking a paternalist view of their employees in their attempts to include this type of service in the employment package.

Swanton provides another answer to problem of sudden retirement. Called the "phased out" method of working, the employee gradually drops out of the workforce over a period of years.

From the traditional five-day week, the employee drops to a four-day week and so on until he is ready to stop work altogether.

Borthwicks and the BP group are among companies which consider that their responsibilities as employers go beyond the day the employee finishes work.

The rationale is that where the employee has served the company for many years, the company should help them

during retirement. While several companies say they invite retired staff back for functions and send them copies of in-house magazines to keep them informed of company progress, BP and Borthwicks both retain after-retirement liaison officers.

The job involves travelling around the country, visiting retired staff and relaying their problems back to the company. In turn, the officers are able to pass on information about the company and other retired workers.

Borthwicks' scheme was the brain-storm of managing director Peter Norman, who felt that some system could be devised whereby links between the company and long-serving staff could be retained even into retirement.

Initially limited to superannuitants — from management to clerical staff and some freezing workers — the programme recently was extended to people who retired under the old pension scheme and widows of ex-employees.

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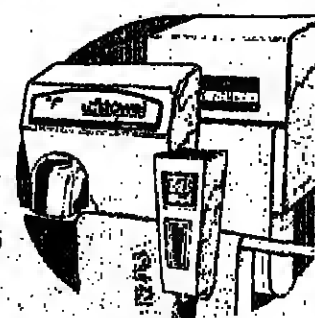
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## Policy-makers avoid common sense

by David Boswell

IT has been known for some years that Maui gas would be on shore by 1979.

Most people would have concluded that, in anticipation of that event, decisions would have been made on how that gas would be distributed. But commonsense and Government policy don't go together, and, although that gas is now ashore no decision has yet been made on who will be responsible for its distribution.

"Goals and Guidelines, an Energy Strategy for New Zealand," was published by the Minister of Energy in May, 1978.

Apparently the original draft did contain some form recommendations, but these were deleted from the published edition.

The original draft proposed that electricity supply authorities should unite to form energy authorities selling both electricity and gas. It stated: "Despite some progress with amalgamation in the past there are still 61 electricity supply authorities of various kinds, and the Municipal Corporations Act, 1954, permits a proliferation of gas undertakings. The existing arrangements do not make the best use of such scarce resources as skilled labour, and the unnecessary addition of further organisations would be contrary to the best interests of consumers in the industry and the nation."

The expurgated edition did note that there were a number of common characteristics in electricity and gas distribution, namely:

- There are economies of scale in larger units arising from better utilisation of technical manpower, specialised plant, vehicles, communication networks and administrative structures;
- Installation and operation can be co-ordinated with other similar energy forms so as to yield significant joint economies;
- A wide range of consumers, and appreciable size of authority, allow each authority to achieve tariffs close to the national average;
- Communities or regions can retain a local interest.

The conclusion was that "a rationalisation of energy distribution is needed".

The 1978 National Party manifesto stated that: "Where gas and electricity are being reticulated in a district, then its supply, distribution and regulation should be co-ordinated to ensure its most efficient distribution and utilisation. The basis of gas distribution to new districts will be decided on the foregoing principles and decisions will be taken by Government as gas becomes available."

The gas is available now: where are the decisions?

We are fortunate in that we have a pilot scheme in operation to demonstrate how the co-ordination of gas and electricity distribution does work in practice. At the fourth New Zealand Energy Conference the general manager of the Hutt Valley Electric Power and Gas Board presented a paper titled "An Area Energy Authority in Action." The paper presented facts to support the conclusion that there is an incontrovertible case for the co-ordination of electricity and gas distribution.

The general manager of the

Natural Gas Corporation has stated that it would be a disaster if there were a large number of small authorities to whom the corporation had to deliver gas.

The Territorial Energy Authorities Association believes that there are only two realistic options for future organisation, namely:

- Distribution as the function of multi-purpose regional authorities;
- Distribution as the function of special purpose regional energy authorities; or

• Distribution as a function of multi-purpose regional authorities.

The Territorial Association favours the second option; the Electric Power Boards of New

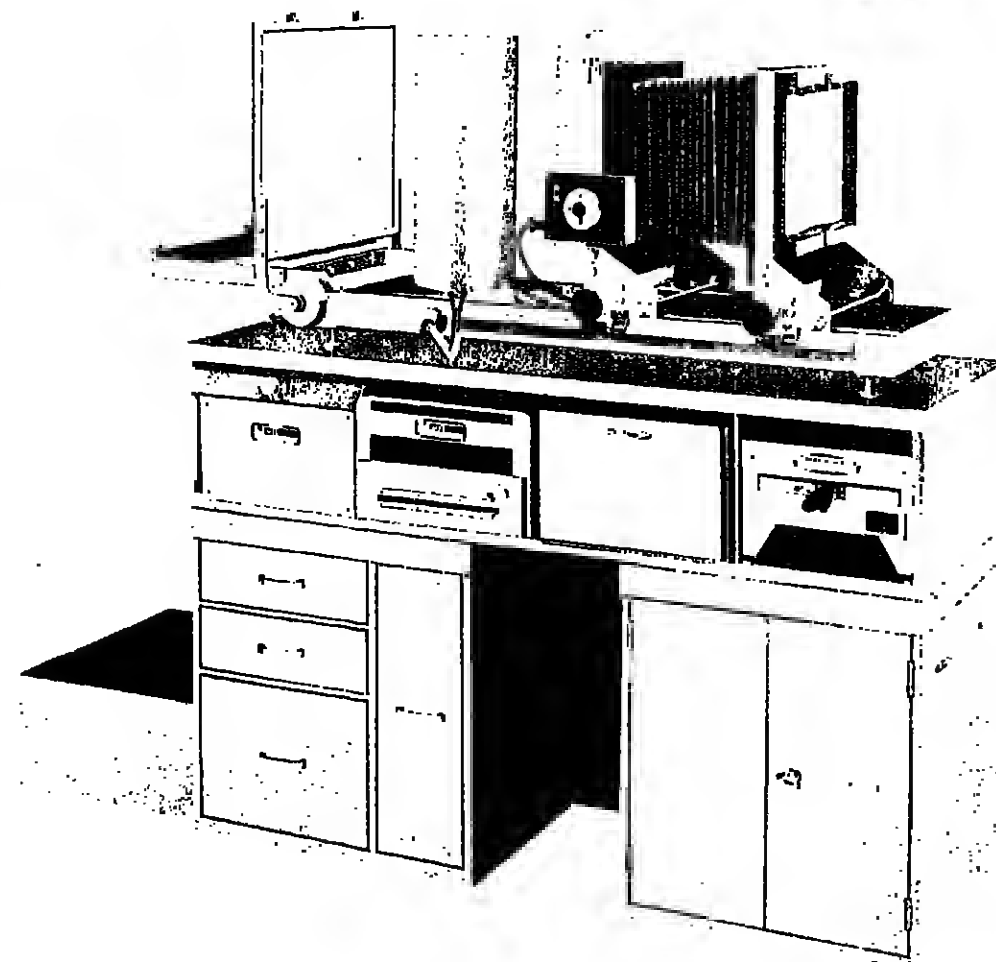
Zealand favour the first.

Whatever option is finally adopted, immediate priority should be given to establishing regional energy authorities now.

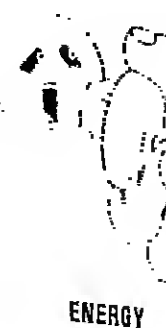
THE third of a series on New Zealand's energy policy by David Boswell B Com, FCIS, ACA. He was a power board manager for 25 years, chairman of the Power and Finance Utilisation Committee of the Electrical Supply Authorities Association for 10 years and a member of the Committee to Review Power Requirements for the same period.

Once these authorities are functioning efficiently it would require only a minor amendment to an Act — a Government decision — to transfer them to a regional authority. The efficient operation of regional authorities is somewhere in the future — many of them are not yet constituted — and the time for action is now. Surely the Government must realise that it cannot postpone making a decision indefinitely.

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ENERGY



THE AUSTRALIANS

## State protects banks from rivalry

Melbourne Correspondent

THE current inquiry into Australia's financial system has received a submission calling for less Government regulation and more competition for Australia's banks.

The submission, presented by the Federal Department of Business and Consumer Affairs, argues that the country's banks are both too protected, and too Government

regulated.

Much of this regulation, it says, protects the banks from competition, and lends directly to the inefficiencies which abound in Australian banking.

As an example the Department points to the Government's prohibition of interest payments on demand deposits. This, it argues, has forced the banks to attract deposits through non-price competition, giving rise to an abundance of

branches with higher overhead costs.

The submission proposes that competition between banks and non-bank financial institutions should be encouraged by permitting the latter to develop credit card systems.

At present 14 banks operate Bankcard at an annual interest rate of 18 per cent. Some two million Australians are reported to use the credit card at an estimated average

outstanding debt of \$A709 million.

The banks' operation of the credit card system has come under strong attack from a former Federal Treasurer, the present Leader of the Labour Opposition, Bill Hayden.

He said the current Bankcard rate of 18 per cent compared with overdraft rates of 10 per cent and personal loan rates around 14 per cent. Hayden expressed concern over allegations that some

customers seeking personal loans and overdrafts were being directed to the more lucrative Bankcard.

He criticised the present Federal Government for not regulating the Bankcard rate and said a future Labour Government would intervene to control it, as it affects one in five Australians.

His claim, however, that the 14 banks had made \$A150 million profit this year in the credit card business was rejected by a spokesman for the Bank of New South Wales as "blatantly misleading" that figure, if it were correct, represented gross revenue, not profit.

Nonetheless participating banks cannot have drawn much comfort from the reported remarks of the present Federal Treasurer, Howard, who said he was keeping an open mind about the possibilities of a second competitive credit card system, and the public disclosure of credit card profitability.

Although no figures on Bankcard profit are publicly available they have been supplied by the banks to Australia's Trade Practices Commission.

It will decide whether or not to exempt Bankcard from provisions of the Trade Practices Act forbidding contracts, arrangements, or understandings that substantially lessen competition.

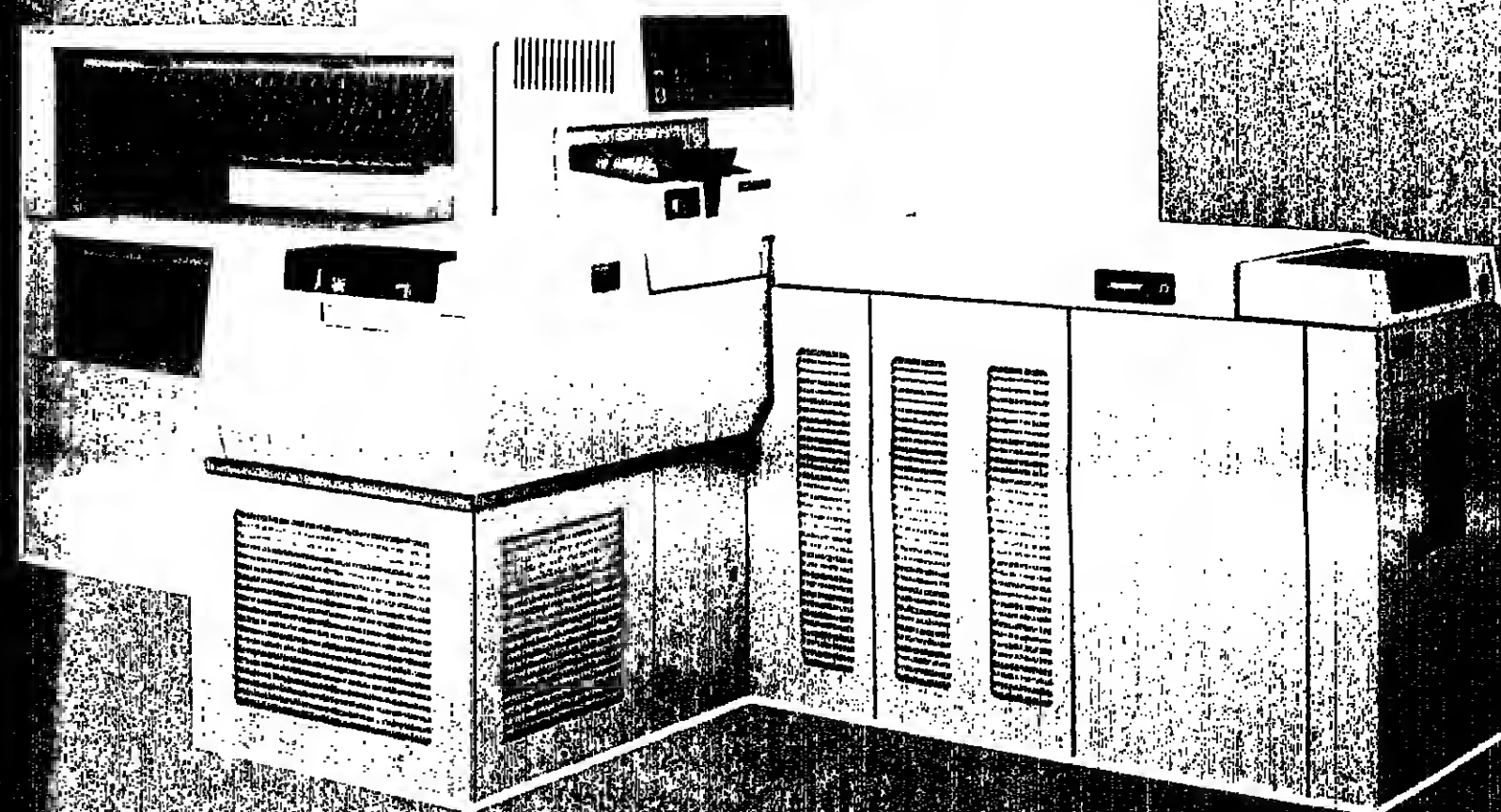
The present agreement among the 14 banks fixes uniform charges with business, and the holders of credit cards, and prohibits member banks in the agreement from entering into other credit and finance. The Federation of Credit Union Leagues has submitted to the Trade Practices Commission that the agreement be open to all Australian financial institutions.

Whatever decision is handed down by this commission, the operation of Bankcard must still survive the scrutiny of the "Campbell" inquiry into the nation's financial system.

Bankcard is not alone in drawing criticism.

Allegations that Australian trading banks are also making unnecessarily high charges on currency conversion were made to the Campbell inquiry in a submission presented by the Australian Merchant Bankers Association.

It contends that the present limited foreign exchange market is imposing considerable costs on Australian business, and proposes a competitive market in which the merchant banks would be permitted to deal in foreign currency — currently the preserve of the trading banks. It is more than 40 years since a new trading bank licence was issued in Australia and the general tenor of much criticism is that keener competition from both non-bank financial institutions and foreign banks would be in the national interest.



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## Automatic tellers clock in for work

WITH the advent of machine readable identifying plastic cards, New Zealand banks are moving slowly but surely into the use of computer terminal equipment at the customer end of the bank transaction.

The first "automatic teller" machine arrived last month in one of the ANZ Bank's Wellington branches, allowing account holders to make chequeless withdrawals of funds and inquiries on the state of their account, without interfacing with a human teller or waiting in a queue behind others with more complex transactions.

Most other banks are

making at least some plans in the automatic teller direction.

Further advanced after ANZ is the Bank of New Zealand, which this month is expecting to get two IBM teller terminals for evaluation.

The National Bank was visited last month by a representative of United Kingdom parent organisation Lloyds Bank.

Lloyds was the first United Kingdom bank to introduce teller terminals. Gordon Hague, Lloyds general manager of Information Services, insisted that he was not here to influence the

National Bank in its automatic teller plans, merely to communicate Lloyds experiences in the field.

"Planning processes are in motion" at the National Bank for installation of automatic tellers, but there were no terminals in any branch yet, even under test, said a spokesman.

Hague spoke enthusiastically about the savings both for the bank and for customers, resulting from the use of automatic tellers. In direct monetary terms, he pointed out, a cheque cost the equivalent of 56 cents to process, while the cost of an

automatic transaction is 13 cents.

Lloyds is now beginning to pass this saving to its customers, in terms of a 40 per cent reduction in bank charges for automatic transactions.

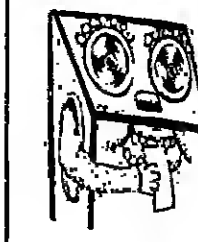
Added to this was the obvious saving in queuing time for the customer, and the ability to transact business at any branch with automatic identification.

Lloyds "Cashpoint" terminals have now been installed at over 800 sites, not only in bank lobbies, but on the outside wall, enabling transactions to be made outside hours, and also in non-

bank sites, from stores to places of employment. Most other United Kingdom banks have followed Lloyds into automatic tellers.

Inquiry facilities are already available on wall terminals, and the next step is the installation of "Creditpoints" allowing a customer to deposit money in his account at a terminal.

United Kingdom banks are moving one step at a time, but it is interesting to note that the first terminal—rather than a pair of terminals—installed by the ANZ Bank provides for enquiry as well as withdrawal, and also has facilities for



COMPUTERS

deposit. The last have not activated yet.

Hague pointed out that the customer performance of the checking function of automatic deposits, two clerks are necessary to provide a check of deposited amounts are a part of the end of the day. Thus in one hour, respect—staff time—automation of deposits is nothing.

Besides their savings, the automatic terminals to banks and places were seen by building up customer loyalty for a final point of sale automatic move, already taken over stores in the United Kingdom completely eliminate paperwork from the section, and provide identical record benefits for the store.

In the United Kingdom, the United States, the cashless transaction advantage of appeal, stores who would handle large quantities and distrust cheque and deposit identification would be interesting. In fact, to view the scene, such transactions in New Zealand, where cheque considered much acceptable.

Meanwhile, the automated terminal are ready for the initial machine withdrawal, deposit and terminals.

First blood has gone to the United States company, Caterpillar, who supplied terminals, through the International Data Services, IBM, NCR, Burroughs.

NCR last month made timely release of its first terminal and 1980 through wall terminal. Both provide withdrawal, deposit, inquiry, transfer, programmable account, and banks' requirements.

The local Burroughs hosted into last year, international division president, Bill Cook, took the chance to show the bankers who represent of Burroughs' market. Undoubtedly, they were informed of the Burroughs' move to automatic teller, in front, with the release of model, the RT800.

On the negative side, banking automation, biggest fears of the on the employment of the Officers' Union secretary, Almer has predicted a "wave" of employment pact with the automatic terminals.

Increasing use of crediting of savings, the Debitbank system, the impact, came to the advent of Debitbank in late 1980s.

Hague saw the effect of more banks freeing their staff from mundane tasks and them to give a more service to their customers.

The banks' attitude with other financial institutions is, however, a careful eye on the automation of transactions and possible employment

## Judge rejects creditors' Liquidator choice

by Warren Berryman

MR Justice Barker has turned down the recommendation of Securitibank creditors that Chas Sturt and Harold Goodman be appointed joint liquidators.

In Auckland Supreme Court, the judge appointed Goodman as sole liquidator 90 hours after an all-day hearing.

Sturt was turned down because the court said he hadn't sufficient experience.

Mr Justice Barker made it clear in his 35-page decision that he thought it desirable for Sturt to continue in the role of investigator.

"Ultimately, one would hope that when the long-awaited Section 9A report appears, Goodman as liquidator will be provided with a copy and that he will be permitted to make it available to Sturt," Barker said.

Mr Justice Barker also appointed John Northy and Victor Jowsey to the committee of inspection.

Securitibank investors consortium secretary Jack Anderson received nearly double the number of votes as did Jowsey at the creditors meeting.

But Jowsey had a slight edge on Anderson in value of votes. The central issues argued at the court hearing were:

Whether Sturt was qualified for the job. Counsel for the consortium, Derek Frith, supported Sturt's ap-

pointment. The Official Assignee, Ernie Gould, opposed Sturt.

Whether other nominees for Securitibank's liquidator, who also acted as auditors to one or more Securitibank shareholders, should or should not be seen by virtue of this position as auditor, be seen to have interests in conflict with those of liquidator.

One point pursued by Mr Justice Barker throughout the hearing was whether there was a good case for the appointment of Sturt as a joint liquidator. Might it not be better, or cheaper, to appoint Goodman as liquidator and have Sturt continue in his present role as investigator? That question was central to much of the debate.

Both Goodman and Sturt said they considered themselves adequately qualified to act on their own.

But the argument kept coming back to the division of responsibilities set out in the consortium's newsletter: Goodman as the accountant handling the day-to-day liquidation, and Sturt the lawyer, pursuing civil action against Securitibank shareholders and directors.

The creditors' meeting considered four pairs of joint



THE LAW

liquidators. Sturt and Goodman, nominated by the consortium, received the highest number of votes.

Second came Bryan Kensington and Bruce Christies, of Wilkinson Wilberfuss. They withdrew their nomination before the court hearing, late NMJ July 25, 1979.

Third in voting strength were Terry Iken and Bruce Stowell of Gillman Morris and Co. The company act as auditors to New Zealand Insurance, a Securitibank shareholder, and have acted as auditor to South British Insurance, another Securitibank shareholder.

The fourth pair of liquidators, Francis Jolly and Murray Wells, received few votes and was not considered by the court.

This contest was between Rea and Stowell and Sturt and Goodman.

Gould made it clear he did not consider that being an auditor of a Securitibank shareholder constituted a conflict of interest.

Frith did not agree. Nor did Mr Justice Barker. His judgement reads: "In cross examination, Rea was unable to see any conflict of interests arising from the fact that his firm was auditor of a shareholder whose conduct or involvement with the Securitibank group was under close scrutiny by the liquidator."

"He agreed that the partners and staff of the firm would have access to much confidential information about both insurance companies and that he and Stowell could have access, as partners, to this information, he recognised that they would be bound by confidentiality from using that information as liquidator. He stated that informal discussions with the directors of both the New Zealand, and South British Insurance

Companies revealed that there were no objections to the nomination of Rea and Stowell as liquidators.

"Rea acknowledged that there could be difficulties in that the auditor of the New Zealand Insurance Co would have to make some statement in his annual report to the shareholders regarding possible liability of the company under the Paraplegic Association's action (whether or not it had been taken over by the liquidator). This leg to the accounts would be given in the name of the firm, the Auckland partners of which would be sharing in fees received from both the New Zealand Insurance Co. and from Securitibank."

Mr Justice Barker ruled against Rea and Stowell on the grounds of conflict of interest which their firm had as auditors of New Zealand Insurance.

"An auditor must necessarily have access to confidential information belonging to the company being audited; he is therefore bound to hold this information in confidence. An auditor is deemed to be an officer of the company."

"In this case, it is suggested as a reasonable possibility of

put it no higher, that there would have to be an investigation as to whether there was a fraudulent preference given to the South British Insurance Co by Securitibank. It would be difficult, if not impossible, for the appearance of impartiality to be given if the firm which was one of the auditors at the time of the alleged fraudulent preference was seen to be investigating the question of this audit client's involvement in a fraudulent preference."

He pointed out the difficulties arising from the auditors having access to Securitibank shareholders minute books and the like, and in having this information, tagging the client's accounts with reference to the contingent claim already lodged against NZI by the paraplegics.

Mr Justice Barker pointed out that it was no answer to say NZI only had a 1 to 2 per cent shareholding, because each Securitibank shareholder is being sued for negligence... and liability for negligence is joint and several.

Thus in the question of the liquidator's independence, the court's decision was a clear victory for the consortium.

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# Employee stockholders set US business trend ownership pushes up productivity levels

by Philip Greer

FOUR years ago John Lupien was a supervisor at an asbestos mine in northern Vermont. The United States Environmental Protection Agency (EPA) ordered the mine's owner to install \$1.3 million worth of anti-pollution equipment. The company decided to close the mine.

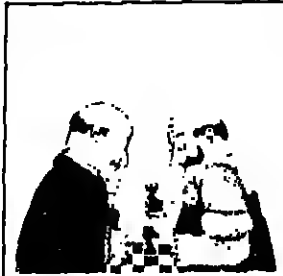
With Lupien in the lead, the miners decided to buy the mine and preserve its 180 jobs. With \$100,000 of their own money and aided by \$2 million in loans from local banks and state agencies, the employees took over the mine and installed Lupien as chairman of the board of the newly named Vermont Asbestos Group.

In the three years that followed, the mine prospered as the market price of asbestos took a sudden — and unexpected — turn upward. The employees' shares, bought for \$50 each, soared to a value of more than \$200. In its first year under employee ownership, the mine paid a dividend of \$50 a share,

returning the entire initial investment. The next year, a dividend of \$60 a share was paid. The EPA's requirements were met in the first year of operation.

A few kilometres away, in Saratoga Springs, New York, Donald Cox is president of Saratoga Knitting Mills, bought by its employees from Cluett Peabody & Company in June 1975. In its last fiscal year under Cluett Peabody management, the mill shipped out \$9.5 million worth of lightweight fabric used for making women's undergarments. In 1977 its sales were \$9.75 million.

While both operations have been successful under employee ownership, their stories have different endings. Lupien was forced out as chairman of Vermont Asbestos Group early in 1978, after the stockholders voted to replace him but one member of the board. "I may have been a money-maker," he says, "but I was bad at politics. As soon as a worker gets some stock he becomes a capitalist. He



THE INDUSTRIAL FRONT

thinks he can run the business better. The workers said I had been lucky for three years." In Saratoga Springs, Cox has had no trouble with his employee-owners. "The minute my foot hits the sidewalk, everybody knows who's boss," he says. "That's the way you have to do those things." Later in the conversation, he admits he has "backed off that a little lately."

Employee ownership of American business is on the rise. There are no precise

figures on the extent of the trend, chiefly because "ownership" can vary from employee trusts that hold only a few percent of a company's outstanding shares to outright ownership, either through trusts or through direct share sales.

A number of agencies, both public and private, are involved in the conversions, but their estimates of the number of firms controlled by their employees range from "50 or 60" by an official of the United States Department of Labour to "300 to 500" by a nonprofit organisation that provides technical advice.

While employee ownership is still a small fad in the broad sweep of American business, it is an important segment of some industries in the north-western United States. For instance, the plywood business attracted a number of employee companies.

Professor Edward Green-

was available had a higher level of profit than conventionally owned firms in the same business.

A United States National Science Foundation study in 1975 found that worker productivity increased in 60 per cent of the employee-owned firms it studied.

Some individual cases are even more impressive. The Chicago and Northwestern Transportation Company, which has been worker owned since 1972, has made profits in five of the last six years. In the same period, two of its chief competitors have filed petitions of bankruptcy.

While employee ownership is still a small fad in the broad sweep of American business, it is an important segment of some industries in the north-western United States. For instance, the plywood business attracted a number of employee companies.

Professor Edward Green-

## Control move on foreign reinsures draws fire

Melbourne Correspondent

A PROMINENT American insurance executive has criticised a proposal by the Australian Insurance Commission to control foreign reinsurers operating in Australia. Quakerhous of the Beneficial Corporation of the United States said that any such attempts to control foreign reinsurers would reduce the number willing to operate in Australia.

He continued Australians that 70 per cent of the payment of insurance claims resulting from the Darwin cyclone of 1974 came from foreign sources.

John Janicki, Executive Director of the Insurance Council of Australia, told a meeting earlier this year that the most important function foreign-owned companies could perform in Australia today was the development of an adequate reinsurance market.

However, he added that the time for the Australian insurance industry to rely on overseas facilities to provide most of the reinsurance might have passed.

There was also, he said, a school of thought which believed that the country's reinsurance needs could best be provided through

nationalising insurance. National agencies of considerable weight in international markets argued that a substantial agency in reinsurance.

One party to a case being heard by the Planning Appeals Tribunal in the State of Victoria said the life of their chairman for \$300.

The appeal, over a complex development involving 200 apartments and 200 shops, has to be examined, with four other competing for planning permits.

Legal costs so far have reached \$300,000. Under the act governing the tribunal, the chairman must take part in the final decision if he dies before the decision is made.

The case must begin against the present chairman in a suit and a major party to the dispute, a finance company, has insured its chairman for \$300,000 to guard against the possibility of his death before the decision.

It appears that the case, which is a potential test case for the law's delay in Victoria, is an option for a further month's insurance of the chairman's life.

producing its product and so on," he says. "It's very clear that they equal or surpass regular companies. From the point of view of the professional manager, though, it's a pain... At the smaller companies or cooperatives, you see people walking in and out in work clothes."

"They have a right to look at the books, they can ask any questions they want. They look at the manager and say 'that turkey works for me.' If one were a manager, I can see where it would be frustrating..."

Employee ownership can take one of several forms. The most prevalent now is standard stock ownership but, thanks to help from the United States Congress, Employee Stock Ownership Trusts are growing quickly.

ESOTs are trusts set up to borrow money and use it to buy stock in the employee's company. The company can use the funds for its own purposes and periodically

makes payments to the ESOT, which are used to repay the loans. When the loan is fully paid, the shares are distributed to the employee-beneficiaries of the trust.

Company contributions to the trust are tax-deductible, making ESOTs a popular way to raise capital for expansion. In addition, in 1975, Congress allowed companies buying new equipment and thus entitled to a credit against their income taxes equal to 10 per cent of the cost of the equipment, to take an additional one per cent if a like amount was contributed to an ESOT.

Economist Kelso, who developed the ESOT concept more than 30 years ago, says it is based on the theory that there are two factors of production — labour and capital. ESOTs, he says, are a means for the labour to acquire the capital (such as machinery and plants, which are acquired through the stock ownership) in such a



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way that the capital will generate the cash to pay for itself.

"The ESOT does two things," Kelso says. "It gets the pre-tax dollar, both for the benefit of the employee who is accumulating capital but who really is given credit to buy stock representing capital and, second, to pay for it out of the earnings of the capital which that stock represents and to pay for it in pre-tax dollars."

"It is not a give-away technique... Our technique is personal. It makes have out of the have-nots without

making have-nots out of the have-ones."

The growth of ESOTs so far has come in the face of strong opposition from organised labour. Economists for labour unions say the ESOTs have been used as a substitute for the more common pension plans and that they are dangerous because the employees must rely on the fortunes of one company rather than enjoying the diversification of their assets that they would get in a pension plan.

(Kelso has come up with extensions of the ESOT idea.

One is called a GSOC, or General Stock Ownership Corporation, in which company shares are owned by people in the community, whether employees or not, who are directly affected by the fortunes of the company.)

Another popular form of ownership is the worker cooperative. Workers can buy different amounts of stock, but each employee has one vote on corporate policy, no matter how many shares he owns. "It's a way of separating voting control from investment," says John Blanchard of the American Friends Service Committee in Cambridge, Massachusetts, which offers technical advice on establishing co-ops.

Blanchard has worked on only a few cooperatives — meat packing, haking and printing companies among them — and says the key to his plan is enabling workers who cannot afford large investments to have some ownership and an equal voice in the company.

"The problem," he says, "is that it's easier to do with a company that is labour-intensive than one that is capital-intensive (requiring large investments of capital for equipment, plants, raw

materials purchases, etc.)." No matter what form the employee ownership takes — ESOTs, cooperatives or simple stock ownership — people who own shares have common problems.

"One of the pitfalls that these companies have," according to John Blanchard, "is not to provide some means of restructuring and education and training to handle the old tensions of organisational development between labour and management."

"They don't disappear. You have to provide a structured and educational format to handle those things in a regular systematic way rather than a haphazard way, so that labour problems don't become management problems. You can alleviate them if you work at it in a gradual and systematic way."

Those involved with the movement say it is inevitable that more and more companies will come to be controlled by their employees.

Says John Lupien: "I believe that in today's society, it is a must that people get involved — even invest in the company they're working for — to try to control their own future, their destiny."



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- 8 If my office premises are damaged by thieves, does the policy cover the cost of repairs? Can I also claim for broken glass?
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ASBESTOS kills in several ways. First, there is asbestosis. Tiny invisible asbestos fibres in the air are inhaled. They irritate the lung leaving scars in the small tubes and air sacs. This scarring is called fibrosis.

It thickens the lining of the lung's air sacs inhibiting the passage of oxygen from the air to the blood. This in turn puts a strain on the heart. The victim can die of heart failure or suffocation.

Once the scarring starts it is irreversible. Scarring left to reach an advanced stage will continue even if the victim is removed from the source of exposure.

Death can be put down to suffocation or heart failure. The root cause, asbestosis, will not be discovered unless suspected and a post mortem examination is made on the victim's lungs.

Long as cancer caused by asbestos is little different from that caused by smoking. It can rarely be cured. Victims usually

live from six to nine months.

Mesothelioma is a rare type of cancer almost always caused by asbestos after exposure as short as one day. This cancer affects the lining of the lung and abdomen. It is incurable. It kills within six months to two years. People exposed to asbestos show increased death tendency from cancer of the stomach, oesophagus, and bowel.

American medical researchers estimate that 45 per cent of all asbestos workers will die of some form of cancer. Depending on the level of exposure to asbestos, the chance of getting cancer of any kind is three to four times higher than an unexposed worker. Deaths from lung cancer are roughly seven times higher for asbestos workers and deaths from gastro-intestinal cancers are roughly three times higher.

About 10 per cent of asbestos related deaths are due to mesothelioma. It takes most people 20 years from the time of

exposure to develop cancer. Many workers become sick after they have left the job and may not even remember they were exposed to asbestos or when.

The causal link between asbestos exposure and subsequent death is not drawn unless it is suspected and established by autopsy and lung examination with an electron microscope.

The causal link has been established overseas. So far, cases of civil liability, that in New Zealand this has not been so, except where the link has been obvious and forced on the public's nose by concerned trade unions.

American expert in asbestos related disease, Peter Silkkoff of the Mount Sinai School of Medicine, estimates the risk of lung cancer is 50 times greater for a pipe worker if he smokes. This is because of the synergistic effect between tobacco smoke and asbestos fibres.

## Asbestos lobby successfully quashes fears

by Warren Berryman

THE asbestos lobby has been successful in New Zealand in playing down the dangers of asbestos.

For example, following an asbestos scare, James Hardie and Co, New Zealand's only manufacturer of asbestos cement building products and pipes published a background paper titled *Asbestos and Health* in December 1978.

It said: "Our belief, backed by expert study of all available medical research, is that the risks which were once associated with asbestos have been virtually eliminated in the manufacture of asbestos cement products."

The paper said that mesothelioma is most commonly associated with blue asbestos which is banned in most countries and has not been used here in Hardie products for a decade.

It stressed that dangers were associated with prolonged exposure to excessive quantities of asbestos dust when the health hazards

were insufficiently appreciated and controls inadequate.

Hardie said that 90 per cent of the asbestos used in this country is bound into asbestos cement products. As the cement binds the fibres there is minimum risk of dust — except when the product is being milled or sawn.

Skilled tradesmen working with asbestos cement products can eliminate the dust risk by cutting or milling it wet. But the general public may not be aware of the dangers when working in their own homes.

While most researchers would agree with James Hardie's point that asbestos cement products are the safest form of asbestos use they would not agree with their conclusions about only high levels or prolonged exposure to asbestos dust being dangerous.

Nor would they agree with the implication that now that we have banned blue asbestos all will be right.

James Hardie also operates in Australia. In March, James

Hardie of Australia offered \$13,950 in compensation to employees permanently disabled as a result of working with asbestos.

Officers of the New South Wales Health Commission are investigating two sites where James Hardie dumped asbestos waste. This investigation was instigated by an ABC television programme "Nationwide" on the alleged health hazards of asbestos waste dumped by the company in parts of Sydney.

Australian Labour Party MP John Kerin called James Hardie's background paper a "masterpiece of deception".

"The industry overall has lulled public awareness and dulled bureaucratic surveillance through control of information, and generally created an environment which is highly profitable to companies such as Hardie but which is deadly for its workforce and the population at large," Kerin said.

Kerin asked the Australian Parliament to replace

asbestos industry representatives on such Government bodies as the National Health and Medical Research Council.

"It is one of the absurdities of our society that representatives of an industry which is exposing its workers and the community to the risks of asbestos-caused diseases are advising governments on issues of public health and welfare," he said.

Awareness of the dangers related to asbestos in Australia has led to a corresponding increase in cases of compensation for sufferers. Up to 1975 only 30 people in New South Wales had received compensation for these diseases. Compensations for asbestos victims in the State are now running in excess of 40 persons a year.

This increase is partially due to the long time lag between exposure and death. It is also due to awareness leading to establishment of cause and effect.

There are five types of

asbestos: white or chrysotile asbestos is the most common; amosite, anthrophyllite, and tremolite; and blue or crocidolite asbestos, which has been the subject of many asbestos scares and been banned in New Zealand for the past 10 years or so.

Most publicity related to asbestos dangers in this country has been in regard to blue asbestos. There is still a lot of blue asbestos already in place in buildings throughout the country.

Australian medical authorities are presently trying to locate New Zealanders who worked or lived in the West Australian town of Wittenoom. Blue asbestos was mined near Wittenoom and the streets of the tiny outback town are still gravelled with asbestos tailings from the mine.

Wittenoom has been closed down — both the town and the mines. Tests on hundreds of workers from Wittenoom have revealed scores of asbestos related diseases. The search is on here for New Zealanders known to have lived or worked in the town.

Auckland railway workers recently discovered an inspection of a damaged Silver Star carriage, that it was lined with blue asbestos.

Investigations by the National Union of Railwaymen show that blue asbestos had been installed in all these cars during construction in Japan. Cuth O'Leary, branch secretary of the Glendhu branch of the union presented these facts to the 1978 NZU biennial conference.

"This is an indictment of the Railway Department and its system of overcautious contracting," he said.

"Either the blue asbestos was specified in the contract, which is an indication of engineering incompetence in the light of prevailing medical and industrial opinion; or it was left unspecified, which is an indication of negligence on the part of those responsible in the department."

"The department agreed to replace the insulation in the damaged section with fibreglass — but the problem will recur constantly and with the blue asbestos becoming more crumbly and dusty with age."

O'Leary said: "There is a great deal of false and misleading information available."

He described some as coming from "well intentioned but scientifically muddled organisations such as the New Zealand Health Department."

O'Leary's remarks about the Health Department were kind compared with those coming from other unionists in the frontline facing asbestos exposure.

Some unionists accuse the Health Department of whitewashing asbestos dangers. The whitewash theory is supported by the Health Department's secrecy, they said. When

the Health Department test for asbestos dust in the workplace, the test is confidential to the employer and the employee.

By comparison, low level testing in New Zealand with an asbestos dust monitor would have full access to both the final report and procedures for early exit.

American law says that employers pay their own cost, a medical examination to workers who might be exposed to asbestos.

Little has been done in New Zealand to establish a link between asbestos and death.

Between 1971 and 1975 there were six deaths due to a pituitary tumour in New Zealand. These deaths have been recorded with asbestos exposure. Possibly because mesothelioma, a virtually all cause.

But there could have been hundreds of thousands of asbestos-related deaths put down to heart failure or cancer.

The New Zealand Engineering Union is working with Dr. Silkkoff of the Auckland School of Medicine to establish a register of past and present asbestos workers.

An overseas, it is the who are apparently drive to protect asbestos related disease. Engineering Union has set up a strict code of practice for asbestos workers.

Despite these measures, the Assistant Secretary of Auckland branch of the Engineer's Union, Butterworth, said he has across workers' asbestos dust and dust off the machine.

Butterworth also pointed out examples of shop message has reached, and exposure to asbestos is virtually eliminated.

In London, medical showed that 10 years of percentage of the job with asbestos in the was increasing at the per cent a year — from 1946 to 14 per cent in 1966 to 20 per cent in 1976.

New Zealand has passed regulations to asbestos use. But it is needed as they are in legal jargon. The fibres, sizes of, and appear to exclude contractors, are provided for a register of asbestos workers.

The low number of death certificates in this country describing exposure to asbestos as the principal cause is probably due to the fact that virtually no one, and in particular the Health Department, found

## Union leader labels asbestos: "time bomb"

by Warren Berryman

MANY of the 400 workers employed in Auckland's civic administration building heaved a sigh of relief when the Department of Health delivered an all clear report ending this country's most recent asbestos scare.

Others were not so sure the Health Department had done its job properly. Some suggested a whitewash job.

It all started months back when particles of asbestos were found on an employee's desk after work had been carried out around the building's ventilation ducts.

The Local Authorities' Officers' Union was called in to investigate. The Auckland Engineers' Union provided information that the interior of parts of the ventilation system was lined with asbestos.

Both unions were concerned that asbestos dust might have been blown throughout the building and breathed by employees.

Butterworth said the asbestos should never have been used on the interior of a ventilation system in the first place and should be removed.

NBK called up a selection of ventilation engineers who were incredulous that asbestos should have been used on the interior of a ventilation system. They concurred with Butterworth that it should be removed.

The Health Department was called in by the Auckland City Council. It tested two of the building's 20 floors with a device that draws a measured quantity of air through a filter. A fibre count is then made on the filter.

The Health Department produced a one paragraph report that read: "Samples for asbestos in air were carried out in the civic administration building and the results have not been received. Testing of the work environment was carried out on the sixth and ninth floors on April 21, 1978, and the results have been reported as having a negligible fibre count. The hazard level is two fibres per millilitre of air."

Overseas studies show that asbestos-related deaths can include: a wife whose only exposure was washing her husband's overalls; office workers exposed to asbestos dust coming from the asbestos lining of their office building's ventilation system; or home handyman who built a bungalow with materials containing asbestos.

Asbestos has been called the miracle mineral. It has the unique ability to resist fire, acids, corrosion and friction wear. Asbestos has more than 3000 industrial uses from paddocks to brake linings, pipe lagging to asbestos cement pipes and roofing.

The asbestos industry claims there is no substitute for the mineral.

Asbestos is found in nearly every home.

The asbestos industry has lulled the public into a sense of security with claims that death results only from long or high levels of exposure to their product.

The industry, and the New Zealand Health Department, also maintain that blue asbestos, which has been banned from this country for the past decade is the prime offender. The public is led to believe that white asbestos, currently being used, is relatively safe.

However, overseas cases show deaths from both blue and white asbestos.

The claim that it takes long exposure or exposure to high concentrations of asbestos dust to kill is also untrue. Deaths have been attributed to asbestos after only one day's exposure.

Nor is it only the asbestos worker who is at risk. In one reported case, an executive died from exposure to asbestos. Looking for the source of exposure it was discovered that he had hung his coat in a closet beneath pipes lagged with asbestos. Apparently the dust had fallen on his coat lapels and shoulders.

The low number of death certificates in this country describing exposure to asbestos as the principal cause is probably due to the fact that virtually no one, and in particular the Health Department, found

Asbestos causes several types of cancer and asbestosis, generally incurable.

The Assistant Secretary of the Engineer's Union of Auckland branch, Jim Butterworth, has become something of a New Zealand authority on asbestos related deaths in the workplace. After studying the civic situation he described the ventilation system as a time bomb.

He said the asbestos might have been safe enough when installed, but with time the building agent holding the fibres together could break down. And the fibres, so they they could only be detected with an electron microscope, would be blown round the building.

This had happened overseas. And the asbestos found on the employee's desk could be taken as evidence that the building material was not all that durable.

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The asbestos used in the system was brown asbestos, or amosite, which has the same health hazard as white asbestos.

The Health Department's limits for white asbestos is two fibres per millilitre of air, while for blue asbestos it is 0.2 fibres.

Copies of this report were eventually made available to the union representing the employees involved.

They asked why only two floors out of 20 were tested? "There was also the hypothetical question of what might have happened to the reported results had shown a hazard."

The Health Department keeps the results of such reports confidential between themselves and the employees. It is up to the employer to make them available to the employees.

Butterworth's time bomb theory was never put to the test. The Health Department tested the present levels of asbestos dust in the air. The

potential danger, should the building material break down releasing the fibres into the stream of ventilating air, was not evaluated.

Auckland district medical officer Norman Harnett said the department was not geared up to do such a test.

"We don't deal with potential problems, but with situations as they exist at the time," he said.

Harnett was unwilling to give details of his department's testing procedures on the building. "That's between the employers and ourselves," he said.

"As far as we're concerned only blue asbestos is carcinogenic and blue asbestos has been banned here," he said. He added that he did not know of any deaths due to asbestos in this country.

Despite Harnett's reassurances, overseas research material has proven that both blue and white asbestos cause cancer and asbestosis. And Health Department records show

there have been at least a half dozen deaths from asbestos-caused cancer reported in New Zealand in recent years.

The employees in the building can be grouped in two schools. Those who accept the Health Department's assurances, and those who have travelled overseas and seen asbestos being treated with the caution usually associated with something like atomic waste.

Butterworth is concerned that other buildings' ventilation systems might have been done in the same way. He is now trying to track them down, seeking co-operation from the people that installed them.

That is to say, it has been banned from use even where there is not a stream of air flowing over it and down the throats of its employees.

It is notable that in some American cities the use of sprayed-on asbestos, such as that used in the civic administration building, has been banned entirely.

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## Ralta believe export packaging is all about avoiding problems — not just surviving them.

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### Complete packaging service

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Mr. Donald MacDonald National Sales Manager, Ralta Ltd; (left) and Mr. Ken Carney, Sales Manager, Hygrade Carton Division.

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